



Ministry  
of  
Revenue

Bernard Grandmaître  
Minister

## Retail Sales Tax Branch

# Information Bulletin

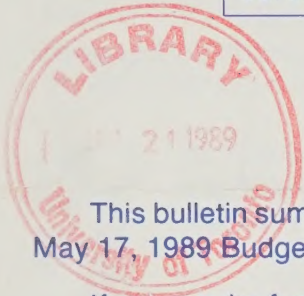
Retail Sales Tax Act

CA 20N  
RU

Number 1-89

May 1989

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.



## ONTARIO BUDGET 1989

This bulletin summarizes changes in the Retail Sales Tax Act proposed by the Treasurer of Ontario in the May 17, 1989 Budget as well as information on other items of interest to vendors.

If you require further information, please contact your local Retail Sales Tax Office or Ministry of Revenue Information Office listed in the blue pages of your telephone directory.

The details presented in this bulletin are intended only as a guideline. For greater accuracy in specific applications, you should refer to the Retail Sales Tax Act and Regulations.

## BUDGET HIGHLIGHTS

- New Tire Tax
  - Tire Tax — Lease and Rental Vehicles
  - Tire Tax — Truckers
  - Tire Tax — Imported Vehicles
- Gas-Guzzler Tax
  - Gas-Guzzler Tax — Lease and Rental Vehicles
  - Gas-Guzzler Tax — Imported Vehicles
- Alternatively-Powered Motor Vehicles — Time Extension for Refund
- Alternatively-Powered Motor Vehicles — Gas-Guzzler Tax Refund
- Refunds for Vehicles to Transport People with Physical Disabilities — Dollar Limits Introduced
- Fertilizers and Pesticides — Exemption Removed

## NON-BUDGET ITEMS

- Status Indians — Exempt Purchases
  - Confidentiality of Taxpayer/Vendor Information
  - Revenue Forms and Publications — Telephone Number
  - French Language Services
-





**NEW TIRE TAX**

Effective June 1, 1989, purchasers of new pneumatic tires are required to pay a tax of \$5.00 per tire. The tax applies to each new pneumatic tire included in the purchase of a vehicle and to new replacement tires.

Tires for bicycles, tricycles and toys are exempt from the tire tax as are tires for items that are already exempt under the Retail Sales Tax Act such as production machinery, farm equipment, fire-fighting vehicles, commercial aircraft and wheelchairs.

The new tax forms part of the fair value of the tires (or the new items on which they are installed) on which Ontario retail sales tax at 8% is calculated.

Vendors must report the tire tax collectable on sales together with the applicable 8% retail sales tax on line 2 of their retail sales tax returns. Vendors should also maintain separate records of tire taxes collected and remitted for audit verification purposes.



**NEW TIRE TAX — LEASE AND RENTAL VEHICLES**

Lessors who rent out or lease vehicles are not required to pay the new tire tax on new pneumatic tires included in the purchase of these vehicles or on replacement tires for these vehicles.

Effective June 1, 1989, the tax of \$5.00 per tire must be included in the payments charged to the first customer who rents or leases a vehicle for 7 consecutive days or more where the vehicle:

- has new pneumatic tires and has never been rented or leased prior to June 1, 1989.
- is a vehicle on which the pneumatic tires have been replaced and the first rental or lease with the new pneumatic tires occurs on or after June 1, 1989.

The tax is collectable in full on the due date of the first applicable lease or rental payment.

The 8% retail sales tax is calculated on the total lease or rental charge including the new tire tax.



**NEW TIRE TAX — TRUCKERS**

Under the Interprovincial Sales Tax Arrangement (ISTA), Canadian carriers such as truckers, furniture movers and bus companies that operate vehicles in more than one province generally pay sales tax on a prorated basis to Ontario and the seven other participating provinces.

Effective June 1, 1989, the \$5.00 tire tax must be paid in full on all new pneumatic tires purchased in Ontario, whether purchased with a new vehicle or as replacements. The tire tax is excluded from the proration of sales taxes between participating provinces under ISTA.

The above also applies to Ontario-based international carriers.



**NEW TIRE TAX — IMPORTED VEHICLES**

Effective June 1, 1989, the tire tax also applies to new vehicles, that is, vehicles of the current or prior model

year, brought into Ontario from another province or country.

The tax of \$5.00 per tire is payable when the vehicles are first registered in Ontario at a motor vehicle office of the Ministry of Transportation. The tire tax forms part of the taxable value of the vehicles on which the 8% retail sales tax is calculated.



**GAS-GUZZLER TAX**

Effective July 1, 1989, new passenger cars that consume 9.5 litres (or more) of gasoline or diesel fuel per 100 kilometres of highway driving will be subject to a "gas-guzzler tax" payable on purchase. The new tax will be included in the fair value of the cars on which Ontario retail sales tax at 8% is calculated.

The gas-guzzler tax will be graduated into four levels as follows:

Highway Fuel Consumption Ratings (Litres per 100 Kilometres)	Tax
9.5 to 12.0	\$ 600
12.1 to 15.0	\$1,200
15.1 to 18.0	\$2,200
over 18.0	\$3,500

The highway fuel consumption rating will be the lesser of the rating provided by the manufacturer or Transport Canada.

If fuel consumption ratings are not available when a car is purchased, the maximum gas-guzzler tax of \$3,500 will apply.

Vendors must report the gas-guzzler tax collectable on sales together with the applicable new tire tax and 8% retail sales tax on line 2 of their retail sales tax returns. Vendors should maintain separate records of gas-guzzler and tire taxes collected and remitted for audit verification purposes.

The gas-guzzler tax will be refunded for cars that are converted to natural gas or propane use within 180 days of purchase, but only if the conversion is to a single-use alternative fuel. No refund of this tax is available on vehicles converted to be dual-powered, that is, powered either by an alternative fuel or a conventional fossil fuel.



**GAS-GUZZLER TAX — LEASE AND RENTAL VEHICLES**

Lessors are not required to pay the new gas-guzzler tax on new passenger cars that they purchase to rent out or lease.

Effective July 1, 1989, the gas-guzzler tax, applicable on new passenger cars that have never been rented out or leased prior to that date, must be added to the rental or lease charges as follows:

- Where the passenger car is rented out or leased for periods of less than a year, the total gas-guzzler tax for the vehicle must be charged, collected and remitted within six months of its first rental or lease.
- Where the passenger car is rented out or leased for a period of one year or more, the gas-guzzler tax must be included in the charges of the first customer. The tax is



payable in full on the date of the first lease payment due on or after July 1, 1989.

The 8% retail sales tax is calculated on the total lease or rental charge including the gas-guzzler tax.



#### **GAS-GUZZLER TAX — IMPORTED VEHICLES**

The gas-guzzler tax will also apply to new vehicles, that is, vehicles of the current or prior model year, that are purchased on or after July 1, 1989 and brought into Ontario from another province or country.

The tax is payable when the vehicles are first registered in Ontario at a motor vehicle office of the Ministry of Transportation. The gas-guzzler tax will form part of the taxable value of the vehicles on which the 8% retail sales tax is calculated.



#### **ALTERNATIVELY-POWERED MOTOR VEHICLES — TIME EXTENSION FOR REFUND**

The qualification period for the retail sales tax refund program on motor vehicles converted to run on an alternative fuel has been extended. Effective May 18, 1989, purchasers have 180 days to convert their vehicles to run on an alternative fuel, provided that the original written contract for conversion is signed within 90 days of the purchase date of the vehicle.

Previously, the refund program required that the conversion contract had to be made within 30 days of the purchase date of the vehicle and the conversion completed within 90 days of the purchase date.



#### **ALTERNATIVELY-POWERED MOTOR VEHICLES — GAS-GUZZLER TAX REFUND**

The gas-guzzler tax will be refunded for cars that are converted to run on a single-use alternative fuel such as ethanol, methanol, natural gas, propane and other manufactured gas or electricity. As is the case with the 8% retail sales tax refund for such vehicles, purchasers must sign the conversion contract within 90 days of the purchase date of the car and the conversion must be completed within 180 days of the purchase date of the car.

Qualifying applicants will receive a full refund of the gas-guzzler tax, in addition to the 8% retail sales tax refund which is capped at \$750 for propane cars and \$1,000 for cars converted to other alternative fuels.

No refund of the gas-guzzler tax is available on cars converted to be dual-powered, that is, powered either by an alternative fuel or a conventional fossil fuel.



#### **REFUNDS FOR VEHICLES TO TRANSPORT PEOPLE WITH PHYSICAL DISABILITIES — DOLLAR LIMITS**

Effective June 1, 1989, the refund program for motor vehicles purchased to transport people with permanent physical disabilities will be modified with the introduction of maximum refund limits. For purchases made after May 31, 1989, the maximum retail sales

tax refund will be \$1,600 per car and \$2,400 per van. These refund maximums do not apply to buses.

All other program requirements remain unchanged. The tax on the cost of vehicle modifications required to accommodate drivers or passengers with permanent physical disabilities will continue to be refundable in full.



#### **FERTILIZERS AND PESTICIDES — EXEMPTION REMOVED**

Effective June 1, 1989, the following goods will be subject to retail sales tax for most consumers:

- fertilizers, insecticides, fungicides, weed killers, and rodent killers;
- soil conditioners, including lime, peat moss, and vermiculite;
- products marketed and labelled as having insecticidal properties in the form of sprays, powders, strips, coils, soaps, shampoos, and flea collars.

These items will continue to be tax-exempt for farmers. To obtain the exemption, farmers must provide purchase exemption certificates to their suppliers stating that the fertilizers or pesticides will be used exclusively in farming.



#### **STATUS INDIANS — EXEMPT PURCHASES**

All goods purchased on reserves by status Indians are tax-exempt. In addition, status Indians are entitled to buy most personal goods tax-exempt off reserves if the goods will be used on a reserve.

To obtain the exemption off-reserve, Indians must show their Federal Identification Card (Certificate of Indian Status) to the vendor. This card is issued by the federal Department of Indian and Northern Affairs and is the only card recognized by the Retail Sales Tax Branch for this purpose.

Before status Indians take the goods with them, vendors should note in their records the Indian's Federal Identification Card number, the name and reserve, and a brief description of the goods. When goods are delivered to a reserve, the vendor should support the exempt sale with a signed delivery slip or bill of lading. In both instances, vendors must keep these records for audit verification.

Status Indians are required to pay retail sales tax on goods and services when they are consumed off-reserve. Examples include:

- goods delivered by a vendor to an off-reserve address;
- transient accommodation;
- admissions in excess of \$4.00;
- prepared food products in excess of \$4.00.

All sales of alcoholic beverages to status Indians are taxable, with or without a Federal Identification Card.

For further information about sales to status Indians see Ontario Sales Tax Guide 149 — Status Indians — available at your local Retail Sales Tax Office or Ministry of Revenue Information Office.





**CONFIDENTIALITY OF INFORMATION**

Information concerning vendors and taxpayers that is obtained under authority of the Retail Sales Tax Act cannot be communicated to any person who is not entitled to receive it. This restriction on access to personal information is further protected under the Freedom of Information Act.

Accountants, lawyers, tax consultants and others acting on behalf of a vendor or taxpayer regularly contact the Retail Sales Tax Branch to request information or a ruling. To facilitate a response from the Branch to these requests, firms who identify the clients they are representing must provide a written authorization from the client before information can be released.

This restriction does not extend to Members of Provincial Parliament (MPPs) or federal Members of Parliament (MPs) who have been asked by constituents to intervene on their behalf with regard to a retail sales tax matter.



**ONTARIO SALES TAX GUIDES**

Updated versions of the following Ontario Sales Tax Guides will soon be available at Retail Sales Tax Field Offices and Ministry of Revenue Information Offices:

<u>Guide No.</u>	<u>Topic</u>
101	How to Complete Your Tax Return
104	Purchase Exemption Certificates
106	Retail Sales Tax Refunds
108	Imports
115	Automotive Repairers
116	Ontario-Based International Carriers
118	Refunds: Transportation of People with Physical Disabilities
128	Rentals
132	Motor Vehicle Transfers
133	Diplomats
135	Animals and Pets
136	Florists and Nurseries
147	Farmers

149	Status Indians
150	Retail Sales Tax Rates
151	Motor Vehicle Dealers



**REVENUE FORMS AND PUBLICATIONS  
— TELEPHONE**

Do you need forms, guides or information booklets from the Ontario Ministry of Revenue?

For your convenience, we are now offering one- stop service . . . from anywhere in Ontario simply dial

1-800-263-7965.

Users of a telephone device for the deaf may call the Ministry toll-free, from anywhere in Ontario, by dialing

1-800-263-7776.

Out-of-province callers may order Ministry publications by calling collect

(416) 965-8470.

Your local Retail Sales Tax Office or Ministry of Revenue Information Office, listed in the blue pages of your telephone directory, will also be pleased to provide retail sales tax forms, information and vendor service.



**FRENCH LANGUAGE SERVICES**

Ontario's *French Language Services Act* ensures that Ontario residents can receive services in French from Ontario Government offices and agencies.

For some time now, the Retail Sales Tax Branch has communicated with taxpayers and vendors in both English and French.

To enhance our delivery of French language services, the Registered Vendor Retail Sales Tax Return is now available in French. Please let us know if you would prefer to receive your returns and other Branch communications in French by calling us, toll free, at 1-800-668-5821.

Unless we are otherwise notified, we will continue to communicate with you in English.